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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

June 14, 1996

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Southern National Bank of Jessamine County  
Charter No. 5132

P.O. Box 430  
Nicholasville, Kentucky 40356

Office of the Comptroller of the Currency

One Financial Place Suite 2700  
440 South LaSalle  
Chicago, Illinois 60605

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Southern National Bank of Jessamine County prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 14, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

A majority of loans originated by First Southern National Bank of Jessamine County are within the assessment area. Loans are originated to borrowers throughout the assessment area. The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.

First Southern National Bank's prior Community Reinvestment Act (CRA) performance rating dated September 1993 was satisfactory.

The following table indicates the performance level of First Southern National Bank of Jessamine County with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First Southern National Bank of Jessamine County</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaint	No complaints were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

First Southern National Bank of Jessamine County (FSNB) is a \$15 million bank which operates from a main office in downtown Nicholasville and a branch located on the bypass. The bank has a drive-through located at the branch. The bank does not have an automatic teller machine but does offer customers ATM cards with no service fees. The bank was opened by First Southern Bancorp, Inc. in November 1991 and offers traditional banking services and lending products. The majority of the bank's lending activity is in commercial real estate loans, which represented 54% of outstanding loans on March 31, 1996. The remainder of the bank's loan portfolio is comprised of residential real estate loans (19%), small commercial loans (12%), and consumer installment loans (5%). FSNB has no legal or other impediments which would hinder its ability to help meet the credit needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The assessment area is comprised of eight census tracts within Jessamine County. All of the census tracts are located within the MSA for Lexington-Fayette, Ky. The assessment area contains one low- to moderate, five middle, and two upper income census tracts. The assessment area meets the requirements of the law and does not arbitrarily exclude low- and moderate-income areas.

The population of the assessment area is approximately 30,000 individuals. The median family income in the area is \$29,717. The median housing value is \$65,000 with 64% of the housing units owner occupied. Rental occupied housing is 29% of the total. According to the Kentucky Cabinet for Human Resources 1995 estimates, the assessment area has an unemployment rate of 2.5% which compares favorably to the state average of 5.4%.

Major employers in the area include small manufacturing, wholesale and retail trade, and service companies. The bank identified small business and housing related lending as the two major needs of the community.

Competition from other financial institutions in both Jessamine and Fayette Counties is strong.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

### Loan-to-Deposit Ratio

Since the last CRA examination, the bank's loan-to-deposit ratio has averaged 108.3%. This ratio is artificially high because the bank was still fairly new and had purchased loans from other affiliate banks. The loan-to-deposit ratio is currently 66.3% and is higher than the 59.9% average for the similarly situated banks in Jessamine County.

## Lending in Assessment Area

Management originates a majority of their loans within the assessment area. Our analysis indicated that 74% of the number and 49% of the dollar amount were in the assessment area. Our sample included all loans originated in 1995 and the first quarter of 1996.

The following table illustrates the distribution of these loans within the assessment area and defines them by census tract type.

Geographic Distribution of Loan  
Originations Within the Assessment Area

Census Tract Type	# of Loans	Percent	\$ of Loans	Percent
Low- to Mod- Income	5	6.8%	\$245,981	10.8%
Middle Income	57	78.1%	\$1,618,218	71.2%
Upper Income	11	15.1%	\$408,287	18%

## Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of lending is reasonable among individuals of different income levels and businesses of different sizes. Our sample was based on the loans originated during the fourth quarter of 1995 and the first quarter of 1996. The following table shows the distribution of loans originated in the assessment area.

Distribution of Business Loans Among  
Businesses of Different Sizes

Business Sizes	# of Loans	%	\$ of Loans	%
Revenues < \$1 Million	9	75%	\$551,389	75.6%
Revenues > \$1 Million	3	25%	\$178,322	24.4%

This bank does not originate many residential mortgage loans because management does not offer a fixed rate mortgage product. Community mortgage loan needs are satisfied by other financial institutions located locally and in Fayette County. The following table also shows the distribution of loans originated in the assessment area. The percentage of dollars lent to the borrowers of different incomes is misleading because the purposes of the loans are different. The largest loan was to purchase a home while the other four were for home improvements.

Distribution of Residential Real Estate Loans Among  
Borrowers of Different Income Levels

Income Levels	# of Loans	%	\$ of Loans	%
Low- to Mod-Income	1	20%	\$124,900	80%
Middle-Income	2	40%	\$17,000	11%
Upper-Income	2	40%	\$15,000	9%

#### Geographic Distribution of Loans

The geographic distribution of loans reflects good penetration throughout the assessment area. The following table illustrates the distribution of business loans originated during the last five quarters and defines them by census tract type.

Geographic Distribution of Business Loan  
Originations Within the Assessment Area

Census Tract Type	# of Loans	%	\$ of Loans	%
Low- to Mod-Income	2	6.7%	\$80,017	4.8%
Middle Income	24	80%	\$1,281,379	76.9%
Upper Income	4	13.3%	\$304,131	18.3%

#### Compliance With Anti-Discrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified during our examination.

